

Technology, Media & Telecommunications

# Towards Regional Digital Integration – Exploring the ASEAN Digital Economy Framework Agreement

## Introduction

The prevalence of the digital economy has made its impact across all industries, changing the way businesses operate and the very nature of trade and commerce. It presents an invaluable opportunity for those who are able to capitalise on its core advantages and prospects, particularly the ability to reach out to markets across borders and the efficiency of digital trade.

The core principle of the digital economy is connectivity, finding its form in the digital links between people, organisations and countries. This means that the digital economy cannot operate in a jurisdictional silo, and that cooperation between nations on its development is all the more important. The framework of legislation and operational structures surrounding the digital economy is still in a developmental stage, with some countries having established more comprehensive regulations. The harmonisation of such frameworks and how they interact is now the focus of international attention.

In this regard, ASEAN has made a major step forward in regional digital integration in the form of the ASEAN Digital Economy Framework Agreement ("**DEFA**"). On 3 September 2023, at the 23<sup>rd</sup> ASEAN Economic Community Council Meeting held in Jakarta, Indonesia, the ASEAN Economic Ministers launched the negotiations on the ASEAN DEFA. Targeted for conclusion by 2025, it is estimated that a high-quality ASEAN DEFA is projected to double the regional digital economy from US\$1 trillion to US\$2 trillion by 2030. The full press release from the Singapore Ministry of Trade and Industry is available [here](#).

Rajah & Tann Asia is at the forefront of the digital economy movement. Rajah & Tann Asia's Data and Digital Economy group spans the ASEAN region, where our network of firms has established its regional footprint, and is thus able to provide cross-jurisdiction advice, integrating local perspectives and expertise. The Data and Digital Economy group is also able to fully address the various challenges of organisations seeking to stake a claim or have a presence in this sphere, offering a full suite of Data and Digital Economy services to holistically addresses digital economy issues across all relevant practices and sectors.

In this Update, we look at the scope of the ASEAN DEFA and the opportunities it presents.

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## ASEAN DEFA

The ASEAN DEFA is touted to be the first major regionwide digital economy agreement in the world. It aims to achieve, among others, the following objectives:

- Facilitate more seamless cross-border digital trade;
- Make it easier to do business within the region by improving digital rules in key areas such as digital trade facilitation, payments, standards and data; and
- Address top-of-mind emerging trends and developments such as Artificial Intelligence.

The launch of ASEAN DEFA negotiations comes after the endorsement of the ASEAN DEFA study at the 55<sup>th</sup> ASEAN Economic Ministers Meeting in Semarang, Indonesia in August 2022. The study identified nine core elements to be covered in the negotiations of the ASEAN DEFA, including:

- **Digital trade** – This would include the aspect of paperless trade, which involves digitising the flow of information needed to support cross-border goods and services, and conducting trade transactions via electronic exchange of trade-related data and documents (invoices, bills of lading etc.);
- **Cross-border e-commerce** – The rapid growth and the immense economic potential of cross-border e-commerce is undeniable, and to facilitate its development, governments would have to cooperate on issues including IT infrastructure, regulatory ecosystem, and consumer protection;
- **Cybersecurity** – One of the key concerns in the development of the digital economy is the risk of cybersecurity threats, and it is thus vital to establish adequately robust cybersecurity standards;
- **Digital ID** – A strong digital identity program is required to support the advancement of digital trade, and this requires governments to address issues such as data security, privacy, and digital inclusion;
- **Digital payments** – The rapid growth in national digital payment systems requires efforts towards interoperability in order to ensure effective cross-border application;
- **Cross-border data flows** – While data is the lifeblood of the digital economy, restrictions on cross-border data flows are inevitable, and thus have to be collectively addressed to balance data protection with trade facilitation; and
- **Other emerging topics.**

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The ASEAN DEFA can thus be seen to be a wide-ranging and comprehensive endeavour that covers the key aspects of the digital economy. Business should be aware of the resultant developments in digital trade and commerce to capitalise on any programs and incentives that may be made available, as well as any frameworks for digital payment, data transfer, and artificial intelligence, which would affect the operational aspects of both physical and online business activity.

### **Concluding Words**

The advantages of a successful ASEAN DEFA cannot be understated, allowing for greater digital trade and the smoother conduct of business via digital means. Digital trade and e-commerce are already major economic drivers, and the facilitation of cross-border trade in this regard is a key factor in continued growth. Further, digital payments are increasingly prevalent, and the improvement of rules and regulations in the region will help to advance the development of a harmonised system.

The issues raised in the development of the digital economy span a wide scope of sectors and disciplines; they are not confined by jurisdictional boundaries, nor can they be managed in isolation. Parties seeking to explore this space are welcome to contact Rajah & Tann Asia's Data and Digital Economy group to discuss the relevant issues.

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## Contacts

RAJAH & TANN | *Singapore*

**Rajesh Sreenivasan**

D +65 6232 0751

E [rajesh@rajahtann.com](mailto:rajesh@rajahtann.com)

**Steve Tan**

D +65 6232 0786

E [steve.tan@rajahtann.com](mailto:steve.tan@rajahtann.com)

**Benjamin Cheong**

D +65 6232 02738

E [benjamin.cheong@rajahtann.com](mailto:benjamin.cheong@rajahtann.com)

**Lionel Tan**

D +65 6232 0752

E [lionel.tan@rajahtann.com](mailto:lionel.tan@rajahtann.com)

**Tanya Tang**

D +65 6232 0298

E [tanya.tang@rajahtann.com](mailto:tanya.tang@rajahtann.com)

**Justin Lee**

D +65 6232 0453

E [justin.lee@rajahtann.com](mailto:justin.lee@rajahtann.com)

R&T SOK & HENG | *Cambodia*

**Tiv Sophonnora**

D +855 23 963 112/113

E [tiv.sophonnora@rajahtann.com](mailto:tiv.sophonnora@rajahtann.com)

RAJAH & TANN 立杰上海

SHANGHAI REPRESENTATIVE OFFICE | *China*

**Linda Qiao**

D +86 21 6120 8818

E [linda.qiao@rajahtann.com](mailto:linda.qiao@rajahtann.com)

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

**Zacky Zainal Husein**

D +62 21 2555 7800

E [zacky.husein@ahp.id](mailto:zacky.husein@ahp.id)

**Sirie Muhammad Iqsan**

Assegaf Hamzah & Partners

D +62 21 2555 7805

E [iqsan.sirie@ahp.id](mailto:iqsan.sirie@ahp.id)

CHRISTOPHER & LEE ONG | *Malaysia*

**Deepak Pillai**

D +60 3 2273 1919 / +60 3 2267 2675

E [deepak.pillai@christopherleeong.com](mailto:deepak.pillai@christopherleeong.com)

**Kuok Yew Chen**

D +60 3 2273 1919 / +60 3 2267 2699

E [yew.chen.kuok@christopherleeong.com](mailto:yew.chen.kuok@christopherleeong.com)

**Intan Haryati**

D +60 3 2273 1919 / +60 3 2267 2674

E [intan.haryati@christopherleeong.com](mailto:intan.haryati@christopherleeong.com)

**Tracy Wong**

D +60 3 2273 1919 / +60 3 2267 2653

E [tracy.wong@christopherleeong.com](mailto:tracy.wong@christopherleeong.com)

**Anissa Maria Anis**

D +60 3 2273 1919 / +60 3 2267 2750

E [anissa.anis@christopherleeong.com](mailto:anissa.anis@christopherleeong.com)

**Yong Shih Han**

D +60 3 2273 1919 / +60 3 2267 2703

E [shih.han.yong@christopherleeong.com](mailto:shih.han.yong@christopherleeong.com)

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RAJAH & TANN | *Myanmar*

**Dr Min Thein**

D +959 7304 0763

E [min.thein@rajahtann.com](mailto:min.thein@rajahtann.com)

**Chester Toh**

D +65 6232 0220

E [chester.toh@rajahtann.com](mailto:chester.toh@rajahtann.com)

GATMAYTAN YAP PATACSIL  
GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*

**Mary Thel T. Mundin**

D +632 894 0377 to 79

E [thel.mundin@cagatlaw.com](mailto:thel.mundin@cagatlaw.com)

**Deborah Miriam D. Sobrepena Lacson**

+632 894 0377 to 79

E [deb.sobrepena@cagatlaw.com](mailto:deb.sobrepena@cagatlaw.com)

**Vladi Miguel S. Lazaro**

D +632 894 0377 to 79

E [vmslazaro@cagatlaw.com](mailto:vmslazaro@cagatlaw.com)

RAJAH & TANN | *Thailand*

**Supawat Srirungruang**

D +66 2 656 1991

E [nuttaphol.a@rajahtann.com](mailto:nuttaphol.a@rajahtann.com)

**Saroj Jongsaritwang**

D +66 2 656 1991

E [saroj.jongsaritwang@rajahtann.com](mailto:saroj.jongsaritwang@rajahtann.com)

RAJAH & TANN LCT LAWYERS | *Vietnam*

**Logan Leung**

D +84 28 3821 2382

E [logan.leung@rajahtannlct.com](mailto:logan.leung@rajahtannlct.com)

**Duy Cao**

D +84 24 3267 6127

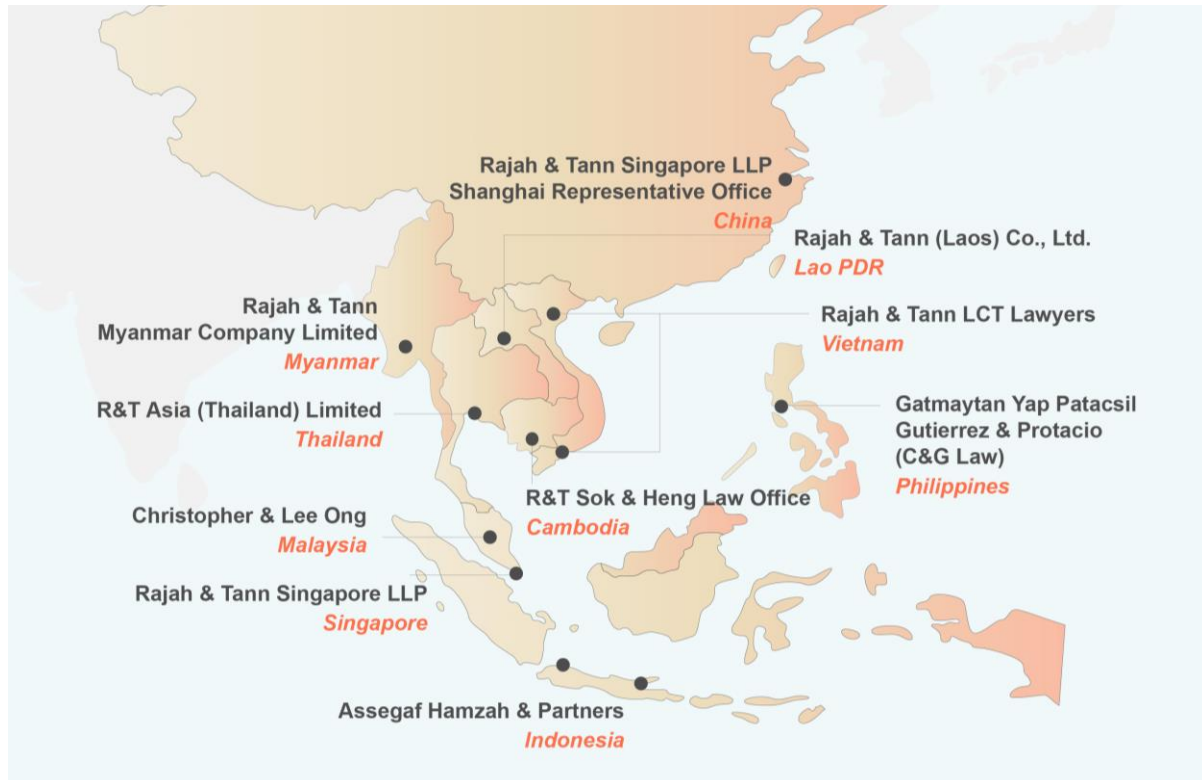
E [duy.cao@rajahtannlct.com](mailto:duy.cao@rajahtannlct.com)

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